INTERCO INCORPORATED

'70 *annual report*

Products and Services

Manufacturer and distributor of men's and boys' fashion sportswear. Principal products include sweaters, knit shirts, dress and sport shirts, jackets, slacks, sport coats and suits, walk shorts and swim wear. Distribution is under the Campus label through more than 7,500 independent retail outlets.

Manufacturer and distributor of work and leisure shirts and slacks for the family, principally to large national retail chains, under private label.

Giant hardware, lumber, and building materials supermarket stores are operated in St. Louis, Missouri, Indianapolis, Indiana, under the Central Hardware name, and Anaheim, California under the name of Central Lin-brook Hardware. Also operates a wholesale hardware company with distribution to independent hardware dealers.

Operates a chain of retail discount stores principally in Florida. The company offers to the family, at discount prices, clothing, housewares, small household appliances, health and beauty aids, gardening supplies, etc.

Merchandise for the entire family is sold through department stores in sixteen states—principally in the midwest and northwestern areas of the country.

A chain of department stores operating two divisions in six southern and southeastern states—Shainberg's stores feature merchandise for the family; Kent's stores are self-service—supermarket type operations concentrating on clothing and related items.

Manufacturer and distributor of men's and women's footwear to independent dealers in the United States, and men's footwear in Australia. Also operates Florsheim Men's Shops, Thayer McNeil Shoe Salons for Women, and leased shoe departments in all sections of the United States.

Operates company-owned shoe stores and leased shoe departments for men, women, and children in all areas of the country.

Manufacturer and distributor of complete lines of footwear for men, women, and children, principally to independent retail shoe stores and departments.

Manufacturer and distributor of footwear in Canada for men, women and children. Also operates company-owned retail shoe stores and departments in that country. In addition, the company provides fabric design and distributes fabrics to the apparel industry of Canada.

PRINCIPAL OPERATING FACILITIES

	1970	1969
Apparel Factories		
The Biltwell Company, Inc.	3	
Campus Sweater & Sportswear Company	16	15
Cowden Manufacturing Company	11	10
	30	25
Department Stores		
Central Hardware Company	26	18
Eagle Discount Stores	126	
Fine's Men's Shops, Inc.	10	
P. N. Hirsch & Company	214	205
Sam Shainberg Company	108	100
	484	323
Footwear		
Shoe Factories		
The Florsheim Shoe Company	12	12
International Shoe Company	19	28
Interco Savage Limited	6	6
	37	46
Retail Shoe Stores and Departments		
The Florsheim Shoe Company	429	384
International Retail Shoe Company	415	417
Interco Savage Limited	64	51
	908	852
	1459	1246

interco incorporated

Industries	*Major Operating Divisions*
Apparel	**CAMPUS SWEATER & SPORTSWEAR COMPANY** Cleveland, Ohio
	COWDEN MANUFACTURING COMPANY Lexington, Kentucky
Department Stores	**CENTRAL HARDWARE COMPANY** St. Louis, Missouri
	EAGLE DISCOUNT STORES Miami, Florida
	P. N. HIRSCH & COMPANY St. Louis, Missouri
	SAM SHAINBERG COMPANY Memphis, Tennessee
Footwear	**THE FLORSHEIM SHOE COMPANY** Chicago, Illinois
	INTERNATIONAL RETAIL SHOE COMPANY St. Louis, Missouri
	INTERNATIONAL SHOE COMPANY St. Louis, Missouri
	INTERCO SAVAGE LIMITED Preston, Ontario, Canada

Directors

DAVID R. CALHOUN
Chairman of the Board
First Union, Incorporated and
St. Louis Union Trust Company
MAURICE R. CHAMBERS
STANLEY M. COHEN
WEBSTER L. COWDEN
KENTON R. CRAVENS
Chairman of the Board
K. R. Cravens Corporation
WILLIAM L. EDWARDS, JR.
RICHARD H. ELY
J. RUSSELL FORGAN
Chairman of the Board
F. I. duPont, Glore Forgan and Co.
JOSEPH FOX
PHILIP N. HIRSCH
J. LEE JOHNSON
Retired
EDWIN S. JONES
Chairman of the Board
First National Bank in St. Louis
SAMUEL S. KAUFMAN
DONALD E. LASATER
Chairman of the Board
Mercantile Trust Company
National Association
JOHN S. MALCOLM
NORFLEET H. RAND
JOHN K. RIEDY
EDWARD J. RILEY
HERBERT SHAINBERG

Officers

MAURICE R. CHAMBERS, Chairman of the Board and Chief Executive Officer
JOHN K. RIEDY, President and Chief Operating Officer
NORFLEET H. RAND, Vice Chairman of the Board and Treasurer
WILLIAM L. EDWARDS, JR.
Executive Vice President
STANLEY M. COHEN
Executive Vice President
EDWARD J. RILEY, Vice President
JOSEPH FOX, Vice President
PHILIP N. HIRSCH, Vice President
WEBSTER L. COWDEN, Vice President
JOHN S. MALCOLM, Vice President
HERBERT SHAINBERG, Vice President
SAMUEL S. KAUFMAN, Vice President
RICHARD H. ELY, Secretary
EDWARD P. GRACE, Controller
RONALD L. AYLWARD, Assistant Secretary
DUANE L. STARR, Assistant Treasurer
JOHN R. METCALF, Assistant Controller

General Counsel

RONALD L. AYLWARD

Executive Offices

1509 Washington Avenue
St. Louis, Missouri 63166

Transfer Agents

Manufacturers Hanover Trust Company
New York, New York
Mercantile Trust Company National Association
St. Louis, Missouri

Registrars

Morgan Guaranty Trust Company
New York, New York
St. Louis Union Trust Company
St. Louis, Missouri

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Annual Meeting of Stockholders

will be held at 10 a.m. on March 8, 1971
at the Company's Executive Offices,
1509 Washington Avenue, St. Louis, Missouri, 63166

INTERCO INCORPORATED

59th Annual Report

Highlights of the Year

FISCAL YEARS ENDED NOVEMBER 30,	1970	1969	CHANGE
From operations:			
Net sales	$777,885,776	$731,942,158	+ 6.3%
Earnings before Federal and foreign taxes	53,151,390	50,619,698	+ 5.0%
Net earnings	27,568,667	26,377,566	+ 4.5%
Per share of common stock:			
Fully diluted earnings	2.85	2.69	+ 5.9%
Dividends	1.10	1.00	+10.0%
Financial condition at year end:			
Working capital	211,181,917	213,485,210	− 1.1%
Current ratio	3.0 to 1	3.5 to 1	
Total assets	416,066,765	384,168,126	+ 8.3%
Stockholders' equity	227,314,303	214,985,064	+ 5.7%
Book value per common share	$23.72	$22.12	+ 7.2%
Shares outstanding at year end:			
Common stock	7,459,649	7,582,856	
Preferred stock	731,708	700,366	
Number of stockholders	15,100	15,150	
Number of employees	37,200	37,600	

interco
INCORPORATED

MAURICE R. CHAMBERS

JOHN K. RIEDY

To Our Stockholders:

Nineteen Hundred and Seventy was a very difficult year for American business because of an uncertain economic environment and a cautious consumer attitude. However, at INTERCO, we are pleased to report sales and earnings again exceeded all previous years and marked the seventh consecutive year of improvement.

Each of our three major operating groups—Apparel, Department Stores and Footwear—contributed to the 6.3% increase in sales and the 4.5% improvement in earnings. Record high sales and earnings were established by all three operating groups in 1970.

This achievement by the company in 1970 is the result of professional management in our operating divisions, sound employment of our assets, and aggressive cost control programs in all phases of our business. The Operating Board, which consists of the operating heads of each of our ten major divisions, meets monthly with INTERCO management, to review markets, trends, corporate objectives, sales and earnings projections, budgets and capital expenditure programs. This group constantly plans to maximize its opportunities and minimize its risks.

INTERCO management was further strengthened in 1970 by the election of a President and Chief Operating Officer, John K. Riedy, and two Executive Vice Presidents, William L. Edwards, Jr. and Stanley M. Cohen. These men, formerly Vice Presidents of INTERCO, will contribute to the planned future growth and assist in meeting the challenges and complexities of our business.

The principal business of INTERCO is the manufacturing, distributing and retailing of popular-priced consumer goods. Our products and services are basic necessities to the expanding middle income population and do not necessarily depend on a booming economy to show continued growth in sales and earnings. Historically, our business is not seriously affected by economic fluctuations or consumer sentiments.

On July 31, 1970, your company added the tenth major operating division by acquiring Dade Wholesale Products, Inc. of Miami, Florida. This company operates 126 family retail discount stores, primarily in Florida under the name of Eagle. This acquisition represents a new growth area and we believe there is an expanding market potential in the southeast for the Eagle operation.

The quarterly dividend rate on common stock was raised effective with the January 5, 1971 payment from 27½ cents to 30 cents per share, equivalent to an annual rate of $1.20 per share. This is the sixth successive year in which the rate has been increased. We continue to retain the major portion of our earnings in the business to finance growth, and further improve earnings.

The significant developments in the major operating divisions of the company during the year are covered elsewhere in this report, and we hope you will find these comments both informative and interesting.

We were saddened by the untimely death on December 13, 1970 of John S. Malcolm, a Vice President and Director of the company and President of Interco Savage Limited since 1964. Under his capable leadership, the company's business in Canada more than doubled and earnings increased more than three times.

In 1971, our attention continues to be directed to increasing the return on our stockholders' investment, to strengthening our existing businesses and to expanding in new and profitable areas.

INTERCO INCORPORATED is confident about its long range future. Our finances are sound and our management, products and services are in tune with the times. We feel that 1971 will be another good year for the company.

To our many customers, employees and stockholders, your management expresses its thanks for their continued loyalty and support.

On behalf of the Board of Directors and Officers,

M. R. Chambers

Chairman of the Board and
Chief Executive Officer

J K Riedy

President and Chief
Operating Officer

January 8, 1971

The Year in Review/Corporate

In 1970, INTERCO INCORPORATED had record sales and earnings for the seventh consecutive year—the highest in the 59 year history of the company.

The comparative 1969 financial statements have been restated to reflect the acquisition of companies acquired in 1970 by the issuance of common stock and treated as poolings of interests, whereas the operating results of companies acquired for cash during 1970 are included from the date of acquisition.

SALES

Net sales for the year ended November 30, 1970 rose to $777,885,776, an increase of $45,943,618 equal to 6.3% over fiscal 1969 restated record sales of $731,942,158. Net sales reported in fiscal 1969 were $706,098,141.

The three major operating groups—Apparel, Department Stores and Footwear—all recorded higher sales in fiscal 1970 in comparison with 1969, as follows:

	Fiscal 1970		Fiscal 1969	
	Sales	%	Sales	%
Apparel	$153,887,175	20	$143,377,626	20
Department Stores	244,084,767	31	214,637,064	29
Footwear	379,913,834	49	373,927,468	51
Total	$777,885,776	100	$731,942,158	100

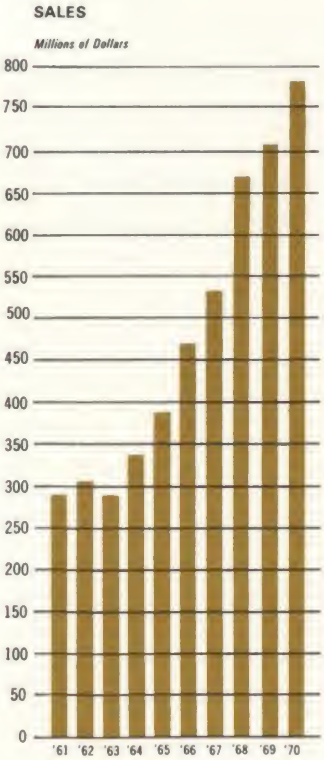
Sales of the Footwear group for the first time were less than 50% of the consolidated sales of the company. The Department Stores group showed the greatest sales increase—$29,447,703 equal to 13.7% over fiscal 1969 and now represents 31% of consolidated sales.

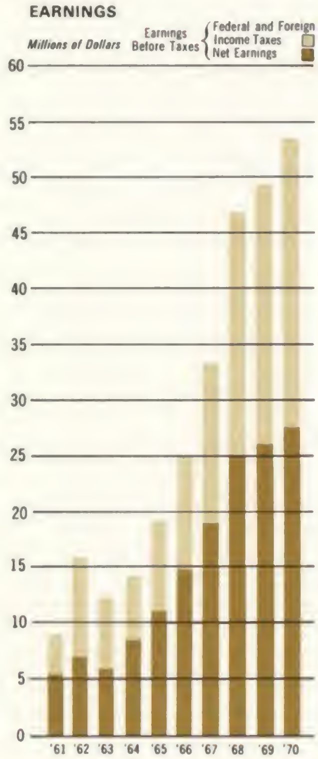
A five year sales comparison, by major operating group and as reported in each prior year's annual report is shown in the Year in Review—Operations.

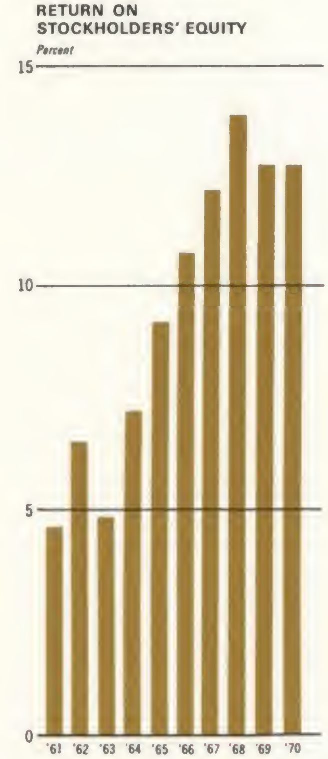
EARNINGS

Earnings before Federal income taxes for 1970 amounted to $53,151,390, an increase of 5.0% over restated 1969 pre-tax earnings of $50,619,698. The ability to retain the margin of profitability and to increase over-all earnings is the result of cost reduction programs, budgetary controls, consolidation of plant facilities in the Footwear group, the planned expansion of production requirements in the Apparel group and well-managed operations.

Net earnings for fiscal 1970 were a record $27,568,667 as compared to restated net earnings of $26,377,566 for last year, an increase of 4.5%. Reported net earnings for fiscal 1969 were $25,417,730. All three major operating groups achieved greater earnings in 1970.







The effective consolidated Federal and foreign income tax rate of 47.8% in 1970 was slightly higher than last year, after considering the Tax Reform Act of 1969 which provided for a reduction in the surcharge rate, elimination of investment tax credit and a gradual decrease in the surtax exemption.

Earnings per common share, assuming full conversion of outstanding preferred stock and exercise of stock options, were $2.85 in 1970 compared with $2.69 a year ago.

Earnings available for common stock in 1970—after deducting dividends for preferred stock—were $24,988,667 compared to $23,754,566 in the prior year. Earnings per common share on this basis—primary earnings—were $3.31 this year compared to $3.13 in 1969.

FINANCIAL POSITION

The company's strong financial position continued in 1970 as a result of sound budgetary controls in all areas of the company's business.

Consolidated working capital at end of fiscal 1970 was $211,181,917 and the ratio of current assets to current liabilities was 3.0 to 1.

Stockholders' equity at November 30, 1970 was a record $227,314,303, an increase of $12,329,239 over last year. The return on stockholders' investment in 1970 was 12.8%.

Accounts receivable and inventories continue under constant management control. Inventories in 1970 increased $15,986,095, however, $13,905,000 is applicable to cash acquisitions made during the year and the remainder reflects the increase in retail stores opened during the year.

The company's net cash position at November 30, 1970—the excess of cash over short-term notes—decreased from one year ago by $13,402,387. This change was primarily the result of:

- The investment of $9,537,684 in companies acquired for cash.
- The purchase by the company of 159,768 shares of its common stock at a cost of $4,717,198. This stock is being held in the treasury for future corporate needs.

No additional long-term financing was required during fiscal 1970 and none is presently planned for the future. At November 30, 1970, the company's long-term debt, less current maturities, had declined to $70,397,518, and represented 23.6% of the invested capital of the company. A summary of long-term debt is included in the Notes to Consolidated Financial Statements.

CAPITAL EXPENDITURES

Capital expenditures during 1970 amounted to $15,237,953 and depreciation provided $8,636,544 of this amount.

The program to modernize, refurbish, and expand certain production facilities, retail outlets, and distribution centers continued in fiscal 1970. Projected increased efficiency and lower distribution costs were realized during the year at the new or expanded distribution centers of International Shoe Company, Cowden Manufacturing Company and Campus Sweater & Sportswear Company.

Long-term leases, principally for retail locations, were added as the company increased its retail selling areas by 21% during the year. The minimum annual rentals on leased properties with terms longer than five years are approximately $12,200,000 annually.

A capital spending program of $12,000,000 has been planned for 1971, with depreciation projected to be about $9,100,000.

DIVIDENDS

Dividends on the company's common stock were paid at the annual rate of $1.10 per share in fiscal 1970—four quarterly dividends of 27½ cents per share.

The Board of Directors increased the quarterly common stock dividend rate to 30 cents per share on December 1, 1970, effective with the January 5, 1971 payment. This is an increase of 9%. The January 5 payment represented the 239th consecutive cash common stock dividend paid to stockholders and completed 58 years of continuous dividend payments.

Total dividends paid by INTERCO INCORPORATED on all classes of stock in fiscal 1970 amounted to $10,654,151. Of this amount, $8,156,548 was paid to common stockholders and holders of the three issues of preferred stock received $2,497,603.

Income retained in the business in fiscal 1970 to support future expansion plans of the company represented 61% of this year's net earnings.

The Year in Review/Corporate

ACQUISITIONS

The company made the following acquisitions during fiscal 1970:

- **The Biltwell Company, Inc.**—acquired in December 1969—a manufacturer of men's slacks with sales of $9 million.
- **Budmark Converters Co. Ltd. and Dial Fabrics Ltd.**—acquired in December 1969—leaders in fabric design and marketing to the apparel industry in Canada with sales of $10 million.
- **Wallace Footwear Limited**—acquired in December 1969—manufacturer of women's high fashion footwear in Canada with sales of $2 million.
- **Proctor Enterprises, Inc.**—acquired in January 1970—mass merchandisers of promotional hard goods with sales of $11 million.
- **Fine's Men's Shops, Inc.**—acquired in March 1970—an operator of ten men's apparel shops with sales of $5 million.
- **Eagle Discount Stores**—acquired in July 1970—an operator of small self-service discount stores primarily in the Florida area with sales in excess of $50 million.

The combined acquisitions resulted in the exchange of 323,617 shares of INTERCO common stock and the payment of $9,537,684 in cash.

The former stockholders of The Biltwell Company, Inc., Budmark Converters Co. Ltd., Dial Fabrics Ltd. and Fine's Men's Shops, Inc. have the opportunity to earn additional shares of common stock of INTERCO based on increased profit performance over future years.

ORGANIZATIONAL CHANGES

On March 9, 1970, the Board of Directors, emphasizing the importance of responding to the growing size and complexity of the company, elected the following top corporate officers:

- Maurice R. Chambers—*Chairman of Board and Chief Executive Officer*
  Mr. Chambers was elected President in 1962 and Chairman of the Board and President in 1965, and has been a director since 1957.
- John K. Riedy—*President and Chief Operating Officer*
  Mr. Riedy had been President of The Florsheim Shoe Company, a division of the company, a Vice President of INTERCO since 1966, and has been a director since 1967.
- William L. Edwards, Jr.—*Executive Vice President*
  Mr. Edwards joined INTERCO in 1969 as a Vice President and was elected a director in 1970.
- Stanley M. Cohen—*Executive Vice President*
  Mr. Cohen has been President of Central Hardware Company, a subsidiary of INTERCO, since 1958 and will continue in that capacity. He has been a director since 1967.

Also on March 9, Richard P. Hamilton was appointed President of The Florsheim Shoe Company and a member of the Operating Board of INTERCO. Mr. Hamilton, formerly Vice President of Merchandising, has served Florsheim for more than 16 years in various capacities.

NEW DIRECTORS

The Board of Directors of the company was further strengthened on March 9, 1970 by the election of three new members. They are:

WILLIAM L. EDWARDS, Jr.
Executive Vice President of the company

EDWIN S. JONES
Chairman of the Board of First National Bank in St. Louis

DONALD E. LASATER
Chairman of the Board of Mercantile Trust Company National Association of St. Louis

These new directors are eminent in financial, business, and civic affairs.

Following the acquisition of Eagle Discount Stores on July 31, 1970, Aaron Kravitz, co-founder of the business, was elected Chairman of the Board and Chief Executive Officer and John Weil, formerly Vice President of Merchandising, was elected President and Chief Operating Officer of this new subsidiary and was appointed to the Operating Board of INTERCO.

On December 14, 1970, Edward P. Grace was elected Assistant Treasurer of the company and John R. Metcalf was elected Controller of INTERCO.

Donald G. MacLeod was elected President of Interco Savage Limited on January 6, 1971, succeeding the late John S. Malcolm, and was appointed to the Operating Board of INTERCO. Mr. MacLeod, formerly Executive Vice President, has been with the company's Canadian subsidiary since 1951.

EMPLOYEES

The year just ended added to a long period of excellent relations with our employees who now number 37,200 men and women. We welcome to INTERCO INCORPORATED the more than 2,300 people who have joined us by acquisition during 1970.

Under the various insurance benefit programs, employees and their dependents were paid disability benefits in excess of $2,900,000 during 1970 and employees' beneficiaries received $1,000,000 in life insurance proceeds. Payments to retired employees amounted to $2,400,000.

Employees' wages and salaries including the cost of fringe benefits amounted to $214,400,225 for the year, or 27.6% of the sales dollar.

New wage contracts which cover the company's largest single employee work force, were signed for the four-year period from October 1, 1970 to September 30, 1974, subject to possible wage and fringe negotiations prior to September 30, 1972.

EXECUTIVE OFFICES

INTERCO INCORPORATED executive offices will move to new quarters in the summer of 1971, to allow for the consolidation of St. Louis based footwear general offices. Headquarters' officers and the corporate staff, about 50 in number, will occupy offices in the newly constructed Equitable Building, 10 South Broadway, in the rejuvenated downtown St. Louis riverfront area. The mailing address will be Post Office Box 7360, Saint Louis, Missouri 63177.

CHARTS

The charts in this section reflect the figures as shown in the ten-year consolidated financial review. Companies which have been considered as poolings of interests have been accounted for from the beginning of the year of affiliation with INTERCO INCORPORATED, and cash acquisitions have been included from date of acquisition.

Maurice R. Chambers Honored

M. R. Chambers, Chairman of the Board and Chief Executive Officer of INTERCO INCORPORATED, was selected as Man of the Year in St. Louis for 1970, and received the award on January 8, 1971.

The award initiated in 1954, is made each year for outstanding civic contribution to the community. The selection is made by a panel of past honorees and the publisher of the St. Louis Globe-Democrat.

The honor to Mr. Chambers was for his numerous endeavors in behalf of civic betterment, education, health and hospitalization, help for the unfortunate, preservation of cultural values, and the general advancement of the community, enhancing the corporate image of INTERCO INCORPORATED.

THE YEAR IN REVIEW / OPERATIONS

Two of the companies which joined INTERCO INCORPORATED in 1970

The Biltwell Company, Inc.
St. Louis, Missouri

The company, established in 1929, is a manufacturer and distributor of slacks, coordinating jackets and walk shorts. Biltwell's products are sold under private label, as well as the brand names of "Mr. Golf," "Mr. Tennis," "Leonard Macy," and "Slackool," and the company is also a franchised producer of "Ben Hogan" slacks.

Shown here is a sample display of just a few of the wide variety of Biltwell products for men.

The production facilities of Biltwell are located in Farmington, Tipton, and Salisbury, Missouri, with district sales offices in New York, Los Angeles, Chicago and St. Louis.

Fine's Men's Shops, Inc.
Norfolk, Virginia

The company opened its first store in downtown Norfolk in 1932. Shown to the left, is one of the typical men's apparel shops in the ten store group.

Seven of the shops are in the general Norfolk area, and other stores are in Richmond and Roanoke, Virginia and Raleigh, North Carolina.

The shops offer an extensive line of medium-priced men's and boys' suits, sportswear, slacks and other items of male apparel and accessories. Further expansion is planned within the geographical range of this well-known retail operation.

apparel group

	1970	1969	1968	1967	1966
Sales (millions)	$154	$136	$130	$36	$35
% of Total Sales	20%	19%	19%	7%	8%

CAMPUS SWEATER & SPORTSWEAR COMPANY

Campus continued to deserve its cherished slogan, "America's Biggest Selling Sportswear" in 1970 as sales and profits were an all-time high, an achievement of particular significance in a confused apparel market and a soft economy.

With fashion the keystone of the men's apparel business, Campus strengthened its position with the younger segment of the market by broadening the new "Expressions" line of garments, especially aimed at the growing "Boutique" market.

Campus continues to be the only balanced producer of a truly full range of apparel for men, teen men and boys. No other industry offers a complete line of slacks, sport and dress shirts, knit shirts, sweaters, outerwear jackets, all-weather coats, swimwear and shorts. In many of these categories, Campus ranks near the top in volume sold.

To keep pace with steadily growing demand, a new and modern knit shirt plant and a satellite plant for sport shirt production were added during the year. Also a sizable addition was made to an inspecting and packaging facility bringing the number of plants in operation at year end to sixteen.

Campus' progress has been achieved through a management group well-balanced in styling, merchandising and manufacturing. Male fashion awareness has widened the market for Campus products and future growth in 1971.

COWDEN MANUFACTURING COMPANY

Colorful piece goods inventory.

Cowden Manufacturing Company attained new highs in sales and profits in 1970.

This past year saw a continuation for Cowden of the trend away from a strictly work clothing market to a higher styled line of play and leisure garments for men, women and children. The addition of many colors, material blends, stripes and patterns is evidence of changing customer demand which the company is satisfying.

To meet increasing demand for its products, Cowden has added five new manufacturing plants since joining INTERCO in 1964. In October 1970, a new production facility was opened in Mena, Arkansas with capacity for 400,000 dozen units annually, adding six hundred employees to the Cowden work force. Cowden is now operating eleven plants, located in Kentucky, Tennessee and Arkansas.

The new distribution center at Lexington, Kentucky completed its first full year of operation and original objectives for this centralized, automated warehouse have been realized. Customer shipments have been accelerated; improved controls have resulted in inventory reductions; and sizable savings in warehousing and transportation costs have been attained.

Cowden Manufacturing Company has the ability to adopt sales and production techniques to fast-changing fashion. The market served by Cowden continues to grow and sales effort has been expanded to recognize the ever changing requirements of its present and future customers.

Cowden produces a wide range of work and leisure shirts and slacks for the entire family.

department stores group

	1970	1969	1968	1967	1966
Sales (millions)	$244	$202	$173	$159	$104
% of Total Sales	31%	29%	26%	29%	22%

CENTRAL HARDWARE COMPANY

Central Hardware Company, a mass merchandiser of hardware, lumber and building materials, continued its growth program in 1970 at a pace equal to recent years, and is now well established in three geographical marketing areas—St. Louis, Indianapolis and southern California.

A tenth store was opened during 1970 in Ballwin, a suburb of St. Louis and three additional stores will be opened during 1971 in this metropolitan area, increasing its market penetration to thirteen stores.

Customer acceptance in Indianapolis prompted plans for a new 66,000 square foot store which will open in Spring 1971. This represents the third store since moving into this city in 1968.

In 1969, Central entered the southern California growth market with Central Lin-brook Hardware of Anaheim. In September 1970, a second store was opened in Fountain Valley, California and new sites are presently being explored for further expansion in this rapidly growing market.

To accommodate the expansion of its business and planned future growth in the midwest, construction of a 375,000 square foot centralized warehouse was begun in suburban St. Louis in the Fall. The complex, scheduled for completion in late 1971, is designed to be expandable to facilitate the handling of three times the present volume of Central Hardware Company.

All stores under the Central Hardware banner enlarged and increased their promotion of "Home Modernization" departments during the year. Strong emphasis continues to be placed on the "Do-It-Yourself" homeowners' market, while providing contract services for home-modernization where confidence and trust of the customer is foremost.

Central Hardware enters 1971 in a very strong market position and its ability to grow and expand will be directed to a sound, well-organized and carefully controlled program.

A usual customer traffic pattern at Central Hardware.

Sketch of Central Hardware Company's general office and warehouse complex scheduled for occupancy in late 1971 —Bridgeton, Missouri.

EAGLE DISCOUNT STORES

An Eagle interior.

Dade Wholesale Products, Inc., acquired in July 1970, operates a growing chain of 126 Eagle Discount Stores, primarily in Florida, with a few stores located in Georgia and Alabama.

The Eagle Discount Stores, founded in 1945, are of the self-service, cash-and-carry variety, selling inexpensive and popular-priced clothing, housewares, small household appliances, gardening and pool supplies, toys, hardware, and health and beauty aids. Sales volume amounted to over $50 million during Eagle's past fiscal year and about 30% of its merchandise was under the Eagle label.

Store operations are serviced by a fleet of company operated trucks from a single 210,000 square foot general office and distribution center, located in Opa Locka, Florida, a suburb of Miami.

The company is self sustaining in products such as bleaches, detergents, insecticides, and pool supplies—all produced in its own chemical plant under the Eagle name. It operates, in addition, a plant for the central packaging of numerous bulk hardware items for distribution to its stores, all under the Eagle label.

Eagle is guided by an aggressive and experienced management team. Present expansion plans provide for eighteen additional Eagle stores in 1971 and the company expects to receive an increasing share of the growing market potential of the southeast.

Exterior view of a typical self-service Eagle Discount Store, ranging in size from 6,000 to 8,000 square feet.

P. N. HIRSCH & COMPANY

Interior view of one of the 157 P. N. Hirsch midwestern stores.

Nineteen Hundred and Seventy marked the 40th anniversary of the founding of P. N. Hirsch & Company—from a single store opened in Jonesboro, Illinois in 1930 to a chain of 214 stores at November 30, 1970. This company operates junior department stores, usually in small to medium-sized communities with emphasis on soft goods at popular prices.

The Hirsch chain continued to make substantial contributions to the sales and profits of INTERCO INCORPORATED in the year just ended. Its progress has been outstanding primarily as a result of aggressive merchandising, excellent locations and sound budgetary control.

The merchandising and management concepts which led to the growth of P. N. Hirsch over the years, have been applied to the operations of those stores acquired in recent years. Internal growth continued in 1970, extending into markets, primarily small communities, not previously served by the company. Nine new units were added during the year and expansion will continue in 1971.

Despite present economic uncertainties, this company expects to make another strong contribution to INTERCO INCORPORATED in the coming year.

A section of the new Golman's St. Louis store—part of the P. N. Hirsch chain.

SAM SHAINBERG COMPANY

Attractive new Shainberg's department store, Caraway Shopping Center, Jonesboro, Arkansas.

Sales and earnings of the Sam Shainberg Company were the highest in its four year association with INTERCO INCORPORATED and since it was founded in 1904.

This company achieved its objectives in 1970 from a well-planned program which had been established in the prior year, for improvement in all areas of its business.

Expansion in the larger southeastern metropolitan centers has marked the growth of the Shainberg Company in the recent past. Both of its divisions, the Kent's stores—featuring lower prices and self-service, with emphasis on soft goods, and the Shainberg's stores—conventional junior department stores, have focused on additional new locations in Memphis, New Orleans, Birmingham, Baton Rouge, Little Rock, Nashville and Jackson, Mississippi.

Each division serves a different level of the mass market in home furnishings and clothing for the family. Concentration on more heavily populated areas affords maximum opportunities to capture these markets.

In the past year, eight units were added bringing the total number of stores in operation to one hundred and eight of which sixty-one are Kent's and forty-seven are Shainberg's stores.

The Shainberg Company has aggressive performance plans for 1971.

Another Kent's self-service store opened during 1970 in Birmingham, Alabama.

footwear group

	1970	1969	1968	1967	1966
Sales (millions)	\$380	\$368	\$366	\$341	\$330
% of Total Sales	49%	52%	55%	64%	70%

THE FLORSHEIM SHOE COMPANY

The Florsheim Shoe Company's sales and earnings during 1970 were the highest in its history and made a significant contribution to the performance of INTERCO INCORPORATED for the year. These outstanding results once again emphasize the dominant position Florsheim enjoys in the field of quality footwear.

Florsheim men's shoes participated in the exciting changes in men's shoe fashions in 1970, and Florsheim again was the style-setter, as it has been in its almost 80 year history of fine shoemaking.

Florsheim women's shoes in the past year posted the highest sales and profits since their introduction in 1930 and these excellent results reflect the growing demand for Florsheim shoes by the women of America.

Expansion continued in the retail field with the opening of fifty-four new units during the year bringing to 429 the number of shoe stores and leased shoe departments in operation at November 30. Florsheim Men's Shops and Thayer McNeil Salons for Women continue to be prominently represented in the major shopping centers of the country.

Julius Marlow Holdings Limited, this division's Australian subsidiary, also achieved record sales and profits during 1970. A new factory is now under construction near Melbourne to replace present facilities, giving further assurance that Julius Marlow will continue to occupy its superior position in the quality men's shoe field in the Australian market.

The Florsheim Shoe Company looks forward to further growth in 1971.

New Thayer McNeil Women's Shoe Salon and Boutique—Stonestown Shopping Center, San Francisco, California.

Luxurious Florsheim Men's Store, new in Belden Village, Canton, Ohio.

The Florsheim Shoe: Leadership in fashion and quality!

INTERNATIONAL RETAIL SHOE COMPANY

Sales in 1970 were slightly ahead of last year at International Retail Shoe Company, but profits were somewhat lower, after eight consecutive years of improved profit growth.

The reduction in profits of International Retail Shoe Company is attributable to the lack of styling direction which continued to affect the women's footwear market during 1970, and higher operating costs in several of its divisions.

Planned expansion into larger stores and departments continued in 1970 with the opening of thirty-eight attractive, well-located units replacing forty low volume locations which were closed in the year. The annual sales volume of the new units opened in 1970 will be significantly greater than for those stores and departments which were closed.

The new Thompson, Boland & Lee store pictured on this page, one of the six in Atlanta, is representative of the company's attractive retail stores and departments throughout the country. Another major division, Bowen Shoe company, headquartered in Miami, moved to larger office and warehousing facilities during the year, which will accommodate the continued expansion of this very successful Florida retail shoe operation.

One of Bowen Shoe Company's newly opened shoe departments in Jordan Marsh—this one in Pompano Beach, Florida.

The dramatic changes in styling and color have exerted a substantial impact on shoe retailing and International Retail Shoe Company has aggressively worked to keep current inventories ahead of the rapid pace in changing footwear fashions.

Growth will continue in 1971. Leases have been signed for a number of new units, in addition to plans for continued modernization of existing facilities.

Interior view of a portion of the new Thompson, Boland and Lee store, South DeKalb Shopping Center, Atlanta.

INTERNATIONAL SHOE COMPANY

International Shoe Company manufactures and distributes complete lines of branded footwear in the medium and popular-priced range for men, women and children, and enjoys substantial private-label distribution of its superior style and quality produced shoes.

Sales volume for domestic shoe manufacturers was adversely affected in 1970 by continued increases in foreign-made footwear, and International Shoe Company was no exception.

Despite these pressures, the company made an increased contribution to the earnings of INTERCO INCORPORATED in 1970 through an intensive planned profit improvement program, development of new systems and methods to increase office and plant efficiency, and the consolidation of several production facilities.

International Shoe Company accelerated its efforts to improve overall sales performance. Included in this program has been concentration on all aspects of customer communication and service, and strengthening of style development and fashion trend interpretation. Equal emphasis has also been directed to increasing quality control and production standards, and remaining the most important resource to thousands of independent dealers, department stores and selected national and regional retailing chains.

1971 will be another challenging year and the management of International Shoe Company is prepared to meet this challenge.

A few of the leading styles for Spring 1971 from the nationally advertised brands of the International Shoe Company.

INTERCO SAVAGE LIMITED

The name of Savage Shoes Limited was changed to Interco Savage Limited in December 1970 to more appropriately identify the company's diversified activities in Canada.

The company in 1970, established new sales records, primarily as a result of its acquisition program, but profits were slightly down from the increasing impact of shoe imports and a slow spring 1970 selling season in women's shoes at the retail level.

During 1970 planned cost reduction programs and improved inventory control plans were accomplished and, in addition, two shoe plants were consolidated into one existing location.

A number of retail shoe outlets were added during the year, in prime locations, with continued emphasis on new Florsheim Men's Shoe Stores for the Canadian consumer.

The company's first diversification move in December 1969 with the acquisition of Budmark Converters Co. Ltd., outstanding leaders in fabric design and marketing for the apparel industry, has been rewarding. Increased sales and profit were recorded by Budmark in 1970.

The diversification program continued with the acquisition of C. Northcott Silk Company Limited, Toronto in January 1971. This company is a wholesale distributor of fabric to the over-the-counter retail yard goods trade and will greatly expand the ability to serve the fabric design and apparel industries of Canada.

The moves in 1970 to reduce shoe manufacturing costs by consolidation of facilities, the expansion of the retail shoe business in Canada to 64 stores, and diversification should provide continued progress for Interco Savage Limited in 1971.

Florsheim Men's Shop opened in Canada during the year— Edmonton, Alberta.

Mayfair Shoe Salon for Women—new during the year in Montreal on Bloor Street.

Colorful array of fabrics of C. Northcott Silk Company Limited, Toronto, acquired in January 1971.

Consolidated Financial Statements

interco
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consolidated balance sheet

Assets

November 30,	1970	1969
Current assets:		
Cash, including certificates of deposit	$ 24,766,819	$ 24,387,974
Receivables, less allowance for doubtful accounts and cash discounts, $2,644,409 ($2,638,633 in 1969)	112,758,591	109,380,788
Inventories:		
Finished products and other merchandise	142,922,274	123,729,615
Raw materials and work in process	34,601,951	37,808,515
	177,524,225	161,538,130
Prepaid expenses	2,494,192	1,989,467
Total current assets	317,543,827	297,296,359
Other assets:		
Future Federal income tax benefits	2,563,003	2,068,154
Excess of investment over equity in consolidated subsidiaries at acquisition	10,619,259	6,935,785
Sundry investments and other assets	5,295,612	4,629,833
Total other assets	18,477,874	13,633,772
Property, plant and equipment, at cost:		
Land	5,438,704	4,602,119
Buildings and improvements	74,942,055	68,654,211
Machinery and equipment	76,783,633	72,434,477
	157,164,392	145,690,807
Less accumulated depreciation	77,119,328	72,452,812
Net property, plant and equipment	80,045,064	73,237,995
	$416,066,765	$384,168,126

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity

November 30,	1970	1969
Current liabilities:		
Notes payable	$ 20,085,346	$ 6,304,114
Current maturities of long-term debt	5,088,007	4,623,489
Accounts payable and accrued expenses	71,269,128	61,053,375
Federal and foreign income taxes	9,431,770	11,347,078
Deferred Federal income taxes	487,659	483,093
Total current liabilities	106,361,910	83,811,149
Other liabilities:		
Deferred compensation and other deferred liabilities	9,225,894	8,687,049
Long-term debt, less current maturities	70,397,518	73,581,651
Minority interests in subsidiaries	2,767,140	3,103,213
Total other liabilities	82,390,552	85,371,913
Stockholders' equity:		
Preferred stock, at stated and liquidating value:		
First preferred — Series A	15,103,800	15,799,000
First preferred — Series B	15,207,640	15,199,480
Second preferred—Series C	20,047,900	16,238,900
	50,359,340	47,237,380
Common stock, at stated value	57,460,230	57,186,022
Capital surplus	519,553	—
Retained earnings	124,613,613	111,482,897
	232,952,736	215,906,299
Less common stock in treasury, at cost	5,638,433	921,235
Total stockholders' equity	227,314,303	214,985,064
	$416,066,765	$384,168,126

consolidated statement of earnings

Years Ended November 30,	1970	1969
Sales and other income:		
Net sales	$777,885,776	$731,942,158
Other income, net	6,787,131	6,051,694
	784,672,907	737,993,852
Deductions:		
Cost of sales	543,195,731	512,418,511
Selling, general and administrative expenses	182,030,458	168,969,466
Interest expense	5,948,184	5,596,008
Minority interests	347,144	390,169
	731,521,517	687,374,154
Earnings before Federal and foreign income taxes	53,151,390	50,619,698
Federal and foreign income taxes:		
Current	26,073,006	24,136,694
Deferred—Federal	(490,283)	105,438
	25,582,723	24,242,132
Net earnings	$ 27,568,667	$ 26,377,566
Per share of common stock:		
Fully diluted earnings	$2.85	$2.69
Primary earnings	$3.31	$3.13

See accompanying notes to consolidated financial statements.

consolidated statement of stockholders' equity

Year Ended November 30, 1970

	Preferred Stock	Common Stock Issued	Common Stock In Treasury	Capital Surplus	Retained Earnings	Total
Balance at beginning of year:						
As previously reported	$47,237,380	$56,556,255	$(7,006,965)	$1,525,351	$111,425,513	$209,737,534
Adjustments for pooled companies		629,767	6,085,730	(1,525,351)	57,384	5,247,530
As restated	47,237,380	57,186,022	(921,235)		111,482,897	214,985,064
Net earnings					27,568,667	27,568,667
Cash dividends:						
Preferred stock					(2,497,603)	(2,497,603)
Common stock					(8,156,548)	(8,156,548)
Conversion of preferred stock:						
Series A—6,952 shares	(695,200)	226,598		468,197		(405)
Series B—2,924 shares	(116,960)	43,860		73,100		
Purchase of company's stock:						
Series B — 195 shares	(7,800)			(3,719)		(11,519)
Common—159,768 shares			(4,717,198)			(4,717,198)
Issuance of incentive shares:						
Series C—37,920 shares	3,792,000			(9,638)	(3,783,800)	(1,438)
Stock options exercised:						
Series B —3,323 shares	132,920			(17,884)		115,036
Series C — 170 shares	17,000			(2,878)		14,122
Common— 500 shares		3,750		12,375		16,125
Balance at end of year	$50,359,340	$57,460,230	$(5,638,433)	$ 519,553	$124,613,613	$227,314,303

See accompanying notes to consolidated financial statements.

consolidated statement of source and use of funds

Years Ended November 30,	1970	1969
Funds were provided by:		
Net earnings	$27,568,667	$26,377,566
Depreciation and amortization	8,938,373	8,171,230
Increase in future Federal income tax benefits	(637,783)	(214,217)
From operations	35,869,257	34,334,579
Disposal of property, plant and equipment	3,385,196	4,371,335
Working capital of purchased companies	3,403,217	—
Proceeds from stock options exercised	145,283	840,179
Net worth of pooled companies not restated	—	1,212,016
	$42,802,953	$40,758,109
Funds were used for:		
Property, plant and equipment	$15,237,953	$15,960,835
Dividends	10,654,151	9,665,056
Dividends paid by pooled companies	—	502,275
Purchase of companies	9,537,684	—
Purchase of company's stock	4,730,560	4,908,536
Decrease in long-term debt	4,397,209	3,853,860
Other, net	548,689	325,783
	45,106,246	35,216,345
Increase (decrease) in working capital	(2,303,293)	5,541,764
	$42,802,953	$40,758,109

See accompanying notes to consolidated financial statements.

notes to consolidated financial statements

November 30, 1970

Principles of Consolidation—All subsidiaries with a 51% or greater ownership are consolidated in the accompanying financial statements. On July 31, 1970, the company acquired all the outstanding stock of Dade Wholesale Products, Inc. (Eagle Discount Stores) for $8,091,410 cash. Also, during 1970 the company acquired the outstanding stock of several other companies for $1,446,274 cash and 323,617 shares of common stock of which 239,648 were treasury shares. The acquisitions for cash were treated as purchases while those for common stock were accounted for as poolings of interests. The operations of the purchased companies are included in the accompanying financial statements from the date of purchase only, while the operations of pooled companies are included for both 1970 and 1969. A maximum of 156,010 shares of the company's common stock may be issued within six years based upon profit performance of several of these pooled companies. The excess of investment over equity arising from these cash transactions is being amortized over forty years.

Inventories—Approximately 94% of the inventories are priced at the lower of cost (first-in, first-out) or replacement market. The remainder of the inventories are priced at cost (last-in, first-out) which is below replacement market.

Federal Income Taxes—Deferred compensation, depreciation, profit on installment sales and certain other items are recognized for income tax purposes in years other than the years in which they are reported in the financial statements. The tax effects of these timing differences are shown in the financial statements as Future Federal income tax benefits and Deferred Federal income taxes.

The Federal income tax returns of the company and its major subsidiaries for 1965 and all subsequent years are presently under examination or subject to examination by the Internal Revenue Service. Various significant issues, similar to those purportedly proposed to other multi-corporate companies, have been raised for discussion with the company. Management opposes these issues and believes that assessments, if any, which may result would have no material adverse effect on the financial position of the company.

Property, Plant and Equipment—For financial reporting purposes, depreciation of physical properties aggregating $8,636,544 in 1970 and $8,042,306 in 1969 is computed generally on a straight-line basis over the estimated useful life of each class of asset.

Long-Term Debt—Long-term debt includes the following:

	1970	1969
4⅝% promissory installment notes, payable $1,875,000 annually, 1971-1989, and balance in 1990	$48,125,000	$50,000,000
6% promissory installment notes, payable $750,000 annually, 1971-1975, $1,250,000 annually, 1976-1979, and balance in 1980	12,750,000	13,500,000
4¾% obligation under long-term lease, payable in annual installments increasing from $225,000 in 1971 to $565,000 in 1991	7,880,000	8,095,000
Other debt at 4% to 9% interest rates, payable in varying amounts through 1993	6,730,525	6,610,140
	75,485,525	78,205,140
Less current maturities	5,088,007	4,623,489
	$70,397,518	$73,581,651

The 4⅝% note agreement restricts retained earnings of $43,810,400 as to the payment of cash dividends on capital stock and the purchase, redemption or retirement of capital stock. The agreement also provides that no such payments be made unless consolidated working capital shall be at least $80,000,000.

notes to consolidated financial statements (continued)

Preferred Stock—The company's preferred stock is issuable in series. Authorized preferred stock consists of 577,060 shares of first preferred (Series A and B) and 1,000,000 shares of second preferred (Series C) without par value. Such stock is summarized as follows:

Series A—$4.75 cumulative, with stated and involuntary liquidating value of $100 per share; issued 151,038 shares (157,990 in 1969); callable beginning in 1974 at $104.75, decreasing to $100.00 in 1981; convertible into 4.3478 shares of common stock.

Series B—$2.10 cumulative, with stated and involuntary liquidating value of $40 per share; issued 380,191 shares (379,987 in 1969); callable beginning in 1975 at $42.10, decreasing to $40.00 in 1985; convertible into 2 shares of common stock.

Series C—$5.25 cumulative, with stated and involuntary liquidating value of $100 per share; issued 200,479 shares (162,389 in 1969); callable beginning in 1975 at $105.25, decreasing to $100.00 in 1985; convertible into 3.0534 shares of common stock.

Options are outstanding at November 30, 1970 for 1,411 shares of Series B and 8,484 shares of Series C preferred stock at an average price of $31.43 and $67.35, of which 1,411 and 6,236 shares, respectively, are exercisable.

Common Stock—The company's common stock consists of 15,000,000 shares authorized without par value, of which 7,661,364 shares were issued at November 30, 1970 (7,624,803 in 1969), including 201,715 shares (41,947 in 1969) in treasury. At November 30, 1970, 2,559,652 shares of common stock are reserved for conversion of preferred stock, exercise of stock options and issuance of contingent incentive shares.

Under various stock option plans, certain key employees may purchase shares of common stock at prices equal to market value on the dates the options were granted. The options become exercisable in installments and expire in five years. Stock option activity during the year is summarized as follows:

	Shares	Average Price
Options outstanding at beginning of year	259,650	$28.67
Granted	31,750	30.29
Exercised	(500)	32.25
Cancelled	(30,600)	35.82
Options outstanding at end of year (of which 177,125 shares are exercisable)	260,300	28.02

Commitments and Contingent Liabilities—The company and its subsidiaries have pension plans covering substantially all employees. The company's policy with respect to principal pension plans is to fund pension costs accrued. Total pension expense for the year was $5,213,000, which includes, as to certain of the plans, amortization of prior service costs over periods ranging from 20 to 40 years. The actuarially computed value of vested benefits as of latest valuation dates of the plans exceeds the total of the pension funds by approximately $4,300,000.

Excluding rental payments on the capitalized long-term lease, minimum annual rentals on real properties leased for terms of more than five years approximate $12,200,000, with additional rentals payable under certain leases based on a percentage of sales in excess of specified minimums. Total rent expense under such leases as well as short-term leases was $14,200,000 in 1970. The company has also guaranteed leases of retail outlets of customers aggregating at November 30, 1970, $2,800,000, based upon minimum rentals.

Earnings Per Share of Common Stock—Primary earnings per share is based on the weighted average number of shares of common stock and common stock equivalents outstanding during the year. Common stock issuances based on profit performance and common stock options, the exercise of which would result in dilution of earnings per share, have been considered as the equivalent of common stock. Net earnings for this computation were reduced by preferred stock dividend requirements.

Fully diluted earnings per share is based on those shares included in the primary earnings per share calculation plus those common shares which would have been issued if conversion of preferred stock had taken place at the beginning of the year.

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants
720 Olive Street
St. Louis, Missouri

THE BOARD OF DIRECTORS AND STOCKHOLDERS
INTERCO INCORPORATED:

We have examined the consolidated balance sheet of INTERCO INCORPORATED and subsidiaries as of November 30, 1970 and the related statements of earnings, stockholders' equity, and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of INTERCO INCORPORATED and subsidiaries at November 30, 1970 and the results of their operations, changes in stockholders' equity, and source and use of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

January 8, 1971

interco
INCORPORATED

ten year consolidated financial review

YEARS ENDED NOVEMBER 30

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
FOR THE YEAR					(In Thousands of Dollars)					
Net sales	$777,886	$706,098	$669,456	$536,187	$469,132	$391,877	$345,448	$295,615	$303,182	$294,275
Earnings before income taxes	53,151	48,848	46,165	32,739	24,633	18,980	13,958	12,021	15,686	9,272
As a percent of sales	6.8%	6.9%	6.9%	6.1%	5.3%	4.8%	4.0%	4.1%	5.2%	3.2%
Net earnings	27,569	25,418	25,088	18,627	14,598	10,879	8,441	5,493	7,071	5,191
As a percent of sales	3.5%	3.6%	3.7%	3.5%	3.1%	2.8%	2.4%	1.9%	2.3%	1.8%
Cash dividends paid:										
On common stock	8,156	7,236	6,458	5,685	4,957	4,292	4,118	4,004	4,050	6,116
On preferred stock	2,498	2,429	2,087	991	—	—	—	—	—	—
AT YEAR END										
Working capital	211,182	209,392	204,002	168,059	146,084	132,090	127,295	119,280	118,716	119,167
Property, plant and equipment, net	80,045	72,694	69,182	59,409	48,931	42,614	41,019	40,318	40,976	40,247
Capital expenditures	15,238	15,961	16,878	11,847	11,452	7,773	5,761	5,333	5,308	4,981
Total assets	416,067	372,113	353,950	288,382	266,254	225,457	213,599	198,480	199,510	197,139
Long-term debt	70,398	73,288	77,078	64,994	57,833	53,645	52,626	52,229	54,571	56,820
Stockholders' equity	227,314	209,738	196,852	164,395	142,524	125,555	119,652	111,170	111,309	109,814
PER SHARE OF COMMON STOCK (2)					(In Dollars)					
Fully diluted earnings (3)	2.85	2.69	2.65	2.13	1.86	1.50	1.22	0.82	1.05	0.76
Dividends	1.10	1.00	0.90	0.80	0.70	0.60	0.60	0.60	0.60	0.90

(1) Figures for companies acquired on a pooling of interests basis have been included above from the beginning of the fiscal year of their affiliation with INTERCO INCORPORATED. Shown below are the comparative net sales and net earnings for the years 1966 through 1969 which have been restated to include pooled companies for years prior to their affiliation.

	Net Sales	Net Earnings	Fully Diluted Earnings Per Share of Common Stock
1969	$731,942	$26,378	$2.69
1968	691,458	26,040	2.66
1967	635,759	20,922	2.16
1966	607,221	17,306	1.79

(2) Adjusted for two-for-one stock split, effective March 14, 1968.

(3) Refer to Earnings per Share of Common Stock in Notes to Consolidated Financial Statements.

interco incorporated *St. Louis, Missouri*